Agenda Item No:5

2025-30 Financial Sustainability Assessment

To:	Strategy, Resources and Performance Committee
Meeting Date:	28 January 2025
From:	Executive Director of Finance and Resources (Section 151 Officer)
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	Not applicable

Executive Summary: This report provides Committee with the Section 151 Officer's assessment of Cambridgeshire County Council's financial standing and the robustness of the budget estimates in line with the statutory duty of that role under Section 25 of the Local Government Act 2003.

- Overall, this concludes that assumptions around the 2025/26 budget estimates are robust and that the reserve levels as proposed in the Medium-Term Financial Plan (MTFP) are considered to be adequate (subject to the final 2024/25 outturn position and the 2023/24 External Audit).
- This assumes that there will be no draw on council revenue reserves relating to the Dedicated Schools Grant (DSG) High Needs deficit as Government will either, for all local authorities, extend the statutory override or fund the ongoing and cumulative deficits.
- Compared to other county councils, Cambridgeshire remains in the middle of the resilience range.
- Reserves will need to be further strengthened over the medium term to cover the Council's risks, such as the High Needs deficit as well as underpinning commercial ventures and disputes.
- The level of reserves will require continuous monitoring considering the ongoing risks from the wider economic circumstances and changes to the structures of local government.
- The Council cannot be complacent and must continue to maintain financial rigour, particularly with regard to accumulated borrowing and associated financing costs, which have in recent years benefitted from internal borrowing to a large degree.

Recommendations: The Committee is recommended to scrutinise the Section 151 Officer's assessment and note the conclusions in consideration of the proposed Budget for 2025/26 to Full Council, and the proposed level of reserves set out at Appendix 1.

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1. Creating a greener, fairer and more caring Cambridgeshire

1.1 This report assesses and ensures the financial sustainability of the Council in order for it to deliver its vision and seven ambitions as set out in the strategic framework for 2023-28.

2. Background

2.1 When the authority is considering its budget requirement, Section 25 of the Local Government Act 2003 requires the Section 151 officer (for Cambridgeshire this is the Executive Director of Finance and Resources) to formally give an opinion as to the robustness of the budget estimates and the level of reserves held by the Council. The Act also requires that the Council must give consideration to this report when making decisions about the budget. Section 26 of the Local Government Act 2003 gives the Secretary of State a general power to set a minimum level of reserves for local authorities. However, the government has undertaken to apply this only to individual authorities in the circumstances where an authority does not act prudently, disregards the advice of its chief finance officer and is heading for serious financial difficulty.

2.2 It is therefore essential that the budget includes an assessment of the potential financial risks facing the Council and that the Council has adequate reserves should those risks materialise.

2.3 The Council holds two types of cash usable reserves:

- a general reserve for unforeseen and unplanned circumstances or events, such as flooding; and
- a range of earmarked reserves within which there are a number of classes:
  - Strategic Framework priorities - to deliver the Council's ambitions.
  - Risk eventualities - funds set aside to cover foreseen or likely events and risks.
  - Ringfenced grants and contributions – monies from Government and third parties for specific purposes such as Public Health, Dedicated Schools Grant (DSG) and s106 contributions.
  - Capital items - reserves to enable the delivery of the capital programme.
  - Sinking funds – to cover future liabilities, such as Private Finance Initiative (PFI) equalisations.

2.4 The proposed 2025-30 medium term financial plan includes both draws on and contributions to reserves and assumed balances are summarised in Appendix 1. This format is consistent with the ways of reporting reserves introduced in 2024/25, and where there are proposed movements these have been set out during 2024/25 monitoring or in the 2025-30 Business and Budget Plans.

2.5 In carrying out the assessment of these reserves there has been consideration of:

- The Council's governance and control environment, including its:
  - Constitution and Financial Regulations that govern and control the financial position of the Council.
  - Standards to control finances, alongside Internal and External Audit findings.
  - The Council's Annual Governance Statement (AGS).

- External guidance and advice:
  - Codes of practice, including International Financial Reporting Standards (IFRSs), the Prudential Code and the Chartered Institute of Public Finance and Accountancy (CIPFA) standards and guidance/bulletins.
  - External audit reporting.
  - Other professional practice and advice such as best value notices or interventions.

- The Council's risk management:
  - The Corporate Risk Register
  - Known potential contractual or legal risks.
  - The risks facing the Council in running its day-to-day operations which could impact on the robustness of estimates, as well as legacy to deliver savings.
  - Preparedness for and ability to respond to unknown risks, in particular environmental events.

- The Council's financial health:
  - The Council's financial standing in comparison to its peers.
  - The 2023/24 Financial Outturn and external audit progress.
  - The 2024/25 outturn and controls in place to mitigate and strengthen the control environment through the leadership of the Workforce Expenditure Control and the Financial Transparency Panels, led by the Chief Executive and s151 Officer respectively.
  - The robustness of budget proposals being considered by the Committee which will likely be proposed to Council in February 2025.
  - The Council's business and medium-term financial plans beyond 2025/26 and the ability to manage change to control future costs
  - The current and forecast position of reserves, including comparison to other peer authorities.
  - Cambridgeshire's maintained school balances.
  - The council's capital programme.
  - The Council's treasury management and security positions.

- Upcoming proposals or events surrounding the local government structure and funding nationally and locally.

2.6 The remainder of this report addresses each point in turn to enable openness and transparency of review of the assessment for members in their consideration of setting a balanced budget at Full Council in February.

3. Main Issues

3.1 The following sections set out the assumptions and considerations to enable conclusions to be made about the level of reserves and use going forward to support the medium-term financial plan and ensure the financial standing of the Council remains robust.

The governance and control environment

3.2 The Council's Constitution is regularly overseen and reviewed by the Constitution and Ethics Committee with advice from the Monitoring Officer and other statutory officers. The Constitution includes clear Financial Regulations and Contract Procedure Rules (Part 4.5) which set out the Council's scheme of financial management. Alongside this Part 3A-C set out the responsibilities of Full Council and Committees, with Part 3D setting out the extent and nature of the authority delegated to officers to undertake functions on behalf of Council. Part 4C sets out the Budget and Policy Framework Procedure Rules for the adoption of its budget and policy framework as set out in Article 4.

3.3 The constitutional rules are supported by financial policies and procedures that set out the detailed controls over the financial management of the Council and the way they are operated. These are subject to regular review by Internal Audit, whose findings are reported to both the Corporate Leadership Team (CLT) and the Audit and Accounts Committee for scrutiny of action implementation. During 2024/25 Internal Audit have carried out a range of risk based financial audits, including within schools. A number of these audits have identified improvements needed which have been considered in this assessment, in particular Debt Recovery, Adults, Health and Commissioning Directorate Business Plan and the DSG Safety Valve reviews.

3.4 Service and policy committees received regular Financial Monitoring Reports on the forecast in-year spend for scrutiny and action. This included a half yearly snapshot of the Council's reserves as well as any recommendation for movement, drawdown or addition to reserves in year. The financial monitoring has identified challenges in year arising from continued pressure on services from demand, as well as a number of longstanding legacy matters that continue to be addressed such as the realisation of income from the Council's energy projects and additional waste disposal costs arising from changes in legislation, impacting the current Waste Private Finance Initiative (PFI). In addition, around £16 million of savings planned are not expected to be delivered in year, with compensating plans needing to be found. Overall, this saw a mid-year forecast revenue overspend of nearly £10 million reported to Strategy, Resources and Performance Committee in October 2024.

3.5 During 2024/25, the Corporate Leadership Team (CLT) has, as a result of the challenging financial situation forecast, been driving work to reduce expenditure where possible. This began with a Workforce Expenditure Control Panel initiated and chaired by the Chief Executive, as Head of Paid Service, supported by the Service Director: Human Resources and Section 151 Officer to check and challenge the need for any workforce related spending, including agency workers. The financial pressures have continued and before the end of 2024, the Chief Executive and S151 Officer agreed to introduce further measures to report, manage and control third party spend which accounts for around two thirds of all spending. This is being led through a Financial Transparency Panel chaired by the Section 151 Officer and includes the removal of some officer spending delegations, moving these to at least Heads of Service and above in structural terms. The combination of these measures and actions by Executive Directors as budget holders has reduced the forecast overspend in 2024/25 from nearly £10 million to £6.8 million as at period 8. These controls will remain in place for the foreseeable future.

- Governance and controls conclusions

3.6 From this assessment overall, the Council has a strong financial control environment, however the scale of the challenges has led to the need for additional controls, a focus on debt and DSG, as well as a review of saving delivery plans. This approach is also focused on the longer-term continued development of budget managers' skills, ownership, reporting and direct management of financial issues.

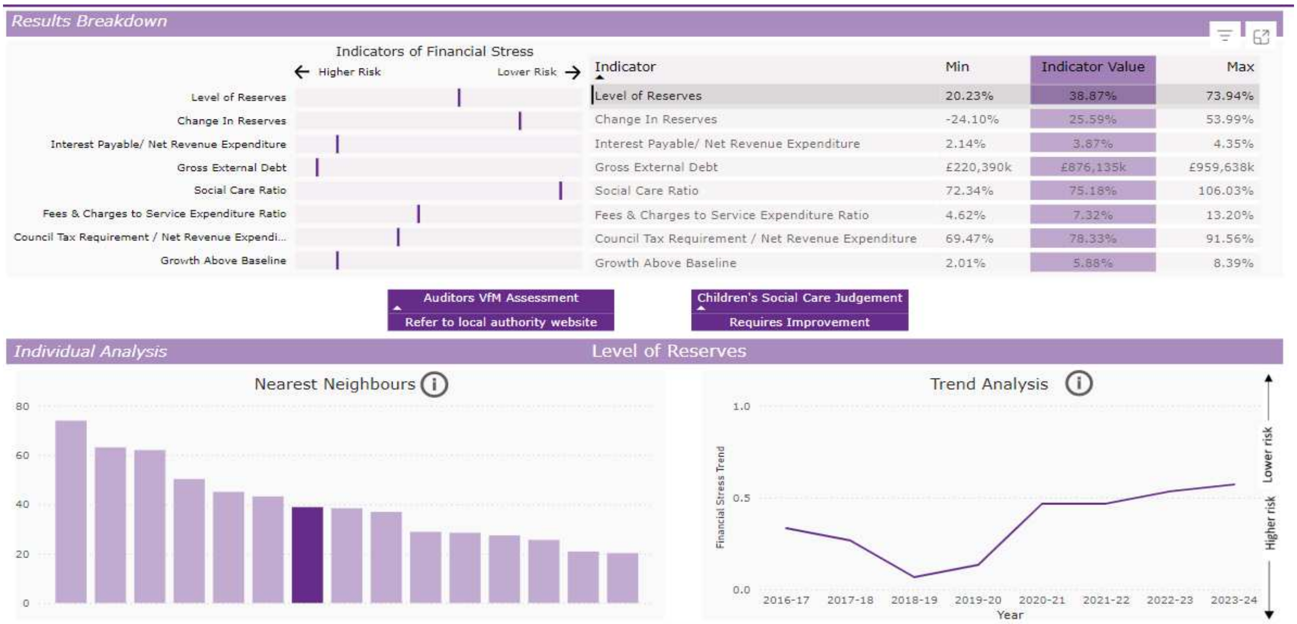
3.7 In the final months of the 2024/25 financial year, every effort will be made to further reduce the forecast overspend, however this is unlikely to be balanced by year end meaning an overspend will be reported. If the forecast deficit is not reduced to deliver a balanced position for 31 March 2025, then resulting overspend will need to be drawn from the Council's General Fund Reserve. The General Fund position at 31 March 2024 stood at £29.4 million, thus a £6.8 million overspend would reduce that to £23.6 million. The Section 151 recommends later in this paper that the level of such reserves needed for the Council in 2025/26 is £26.700 million, as such around £3.1 million would need to be found as part of 2025/26 budget delivery. At this stage it is thought reasonable given the additional controls introduced that officers will be able to further reduce the in-year overspend. However, the 2025/26 Budget proposals include movements in other reserves into the General Fund to ensure the minimum level is met. This will have an impact on earmarked funds and as such all effort remains on reducing the final overspend. This will be further assessed when the 2024/25 year end position is reported.

External Guidance and advice

3.8 The Council produces annual statement of accounts, alongside a range of other financial reports for public inspection. The financial reporting follows the Chartered Institute of Public Finance and Accountancy (CIPFA) accounting code of practice which are based on International Financial Reporting Standards (IFRSs). The Council also follows and reports publicly on its compliance with CIPFA's Prudential Code. The Finance Team also assess and follow CIPFA's Financial Management Code and the Section 151 Officer is a current CIPFA Member and follows all the professional standards and guidelines set by CIPFA.

3.9 CIPFA have also produced an annual Financial Resilience index, noting that this uses data from 2023/24. This index identifies that Cambridgeshire's level of reserves continues to be in the middle of the pack, although the risks are associated with the level of borrowing discussed later on in this report.

Table 1: CIPFA Financial Resilience Index analysis of Cambridgeshire reserves compared to peers



Indicator	Min	Indicator Value	Max
Level of Reserves	20.23%	38.87%	73.94%
Change In Reserves	-24.10%	25.59%	53.99%
Interest Payable/ Net Revenue Expenditure	2.14%	3.87%	4.35%
Gross External Debt	£220,390k	£876,135k	£959,638k
Social Care Ratio	72.34%	75.18%	106.03%
Fees & Charges to Service Expenditure Ratio	4.62%	7.32%	13.20%
Council Tax Requirement / Net Revenue Expenditure	69.47%	78.33%	91.56%
Growth Above Baseline	2.01%	5.88%	8.39%

Source: CIPFA's Financial Resilience Index - [Financial Resilience Index (cipfa.org)]

3.10 Analysis carried out by the Association of Local Authorities' Treasurer Societies (ALATS), co-ordinated by the Society of County Treasurers (SCT) looked at the forward projection against similar classifications noted in this report. This identifies that compared with peers, Cambridgeshire's projected decrease in its reserves is in line with other councils.

3.11 Statute requires that every local authority has external auditors whose role is to be the steward of the local government accountability framework, and to be assured that the authority has been acting with regularity, propriety and value for money (VFM) in the use of their resources. In 2024 the Council's auditors, Ernst Young (EY), signed off the for the outstanding audits for 2021/22 and 2022/23. The VFM conclusion for both years was positive with improvement in controls around procurement particularly recognised given historical issues in this area. The 2022/23 accounts opinion was disclaimed due to the inability of EY to complete the audit due to a lack of capacity. This was or will be the position at over 200 councils in England and formed part of the Government's national proposals to recover the external audit position and market to restore trust in the statement of accounts. For 2023/24 the Council's auditors were changed through a nationally led procurement process and KPMG LLP took over from EY. The audit of these accounts is due to be completed and reported to the Council's Audit and Accounts Committee by 28 February 2025. This audit will be a complicated position as it will need to make assessments about the opening balances from 2022/23 which were not audited the prior year. As such, the Section 151 Officer in the compilation of the 2022/23 accounts carried out a series of reviews relating to the opening balances and significant risks to provide himself with assurances when signing off the draft accounts for audit. Whilst the S151 Officer anticipates that there will be matters raised by KPMG in relation to the composition of the notes to the accounts and movements proposed between categories of reporting he remains positive that balances of usable reserves declared will remain unchanged. An update by KPMG on matters arising on the audit and the form of opinion will be presented to the Audit and Accounts Committee on 30 January 2025.

3.12 The Council also engages external advice on matters such as Treasury Management, Pension administration and investment, as well as where appropriate technical financial matters, such as accounting treatment.

3.13 In addition, the Council is a learning organisation which continually seeks insights to improve from other professional practice and advice. During 2024 several guidance notes have been issued by Government and related bodies, the Local Government Association, audit firms, consultancy organisations as well as CIPFA relating for example to best value interventions in other councils. This has included studies that have looked at corporate governance, borrowing, local authority traded companies, procurement and contract management, VFM lessons, preventing failures and learning from councils that faced financial and governance challenges.

- external guidance and advice conclusions

3.14 Overall the Council follows external guidance and acts on advice and recommendations. During 2024 there have been no specific risks identified relating to the Council's financial position and whilst continually seeking to learn from others there are no matters that have raised call to question or change policies or practices. Overall, the Council's reserves remain in line with peers.

The Council's risks and management of risks

3.15 The Council reports its Corporate Risk Register and Strategy quarterly to both the Strategy, Resources and Performance Committee and the Audit and Accounts Committee. This was last reported in October 2024. The risks are primarily focused on the ability to continue to deliver services arising from operational, digital, governance, legal and financial factors. Risk 03 specifically assesses whether the Council has enough budget to deliver agreed short and medium term corporate objectives. Currently, that risk is assessed as high (a score of 16) largely due to increasing likelihood of events triggered. The key likelihood issues relate to the following factors (note further commentary on robustness of estimates for 2025/26 is also set out later in this report), and the Council has projected £84.9 million at 31 March 2025 of risk reserves to help manage these risks. This is forecast to reduce to £63.4 million at the end of 2025/26.

• the continued increasing cost, including care and transport, of high need and special educational need and disability (SEND) cases	- The Council is forecasting a deficit in 2024/25 of £18.4m giving rise to a cumulative deficit of £58.4 million at 31 March 2025. In addition, there has been a 100% plus increase in home to school transport (HTST) costs arising from the increase in Special Educational Needs and Disability (SEND) cases, with a forecast £2.1 million overspend in 2024/25, consequently additional provision has been made for HTST in the proposed 2025/26 budget. Whilst an action plan to address the ongoing in-year High Needs deficit is being discussed with the Department for Education (DfE) as part of the Safety Valve programme, this is still forecasting a cumulative deficit by 2030 in excess of £200 million after action. Government has announced it will be issuing a White Paper by the end of February 2025 to reform the system. Further commentary on this is set out at paragraphs 3.16 and 3.17 below.

- rising demand and costs of day-to-day operations which could impact on the robustness of estimates, as well as legacy to deliver savings
  - Asides from SEND and older people demand and costs for other services remain in the main in line with predictions. Demand for older people adult care is being assessed post pandemic as patterns are still variable. Pressures do exist in relation to children in care demand and costs which are assessed later on in this report, however the risk reserves previously earmarked to support change and to help manage this pressure will have been reduced to nil by 31 March 2025.

- health care contributions
  - The Council is in the process of dissolving the historical Section 75 pooled budget with the NHS Integrated Care Board (ICB) for learning disabilities. Under statute, the ICB is responsible for costs of health care for these individuals. The Council is currently in dispute with the ICB over accountability for costs. This is also affecting in year saving proposal delivery, as well as the potential for future year proposed assumptions. At this stage further challenge of the NHS's assumptions and assessments is required to manage the responsibility of costs. This could require in year draw on Adult Care earmarked reserves and thus these reserves are felt needed. This will be monitored and reported to Council during 2025/26.

- Credit risk and debt recovery
  - The Council is due to receive the annual business plan from its housing company This Land Ltd which will provide a detailed overview of the company's outlook and performance. There is a risk that the Council will need to reassess its security and credit position, as well as the potential impact on its assumptions surrounding borrowing minimum revenue provision. As such it is deemed prudent to set aside reserves now, to insure this risk with £10 million at the end of 2024/25 rising to £15.1 million by 2030 when the loans are due to have been fully repaid.
  - The Council's debt position is regularly reported to the Audit and Accounts Committee. Debt has risen post pandemic particularly related to Adult Social Services. This principally relates to a disputed debt with the ICB surrounding 2024/25 uplifts for which the Council's view is that it holds a strong legal position. Sundry debt levels have though seen some improvement following a debt recovery improvement programme. The current bad debt provision is felt broadly adequate, with a small reduction budgeted for 2025-26, and will be reviewed both as part of the 2023/24 external audit and the closedown of the 2024/25 accounts. At this stage no further coverage through reserves is felt necessary.

- On going contractual disputes or legal risks
  - The Council is involved in operations and contracts with a range of stakeholders from third party suppliers to users of our services. In these there is always a risk for disputes to

arise. In some cases, these are insured and the Council sets funds aside (£5.160 million) for such risks. This assessment is based on third party advice on the claims and levels of success expected to defend. In other disputes the Council needs to set aside for potential liability, including the risk of penalties or even damages awarded by Court. At present the Council has a number of commercial and contractual disputes ongoing and as such has provided a risk assessed adequate sum to cover these amounts. At this stage it is forecast that £12.9 million will be set aside in a specific risk reserve at the start of 2025/26 (£19.3m 1 April 2024), which will be called upon and reduced to £8.3 million by 31 March 2026. This amount has been assessed against known factors such as potential court cases and will continue to be updated as those disputes and challenges progress

- track record to deliver saving proposals and mange in year spending
  - Currently, the council is on track to deliver £18 million of savings against its original plan of £34 million. As such, compensating saving proposals have had to be made and tighter spending controls introduced. Further commentary on the robustness of estimates and potential impact on the General Fund is provided later on in this report. The CLT will place strong focus to mitigate any draw down and delivery of savings through regular reporting, spending controls and budget management actions. However, £4 million of the General Fund, as set out at Appendix 2, is assumed as a prudent one off need to cover future non delivery of savings.

- uncertainty over future years' funding and changing local government structures
  - Government issued a consultation on 18 December 2024 regarding local authority funding reform ([Link to MHCLG's Local authority funding reform: objectives and principles]). This is likely to lead to a reduction in Government grant for the Council and as a result a Financial Review Shortfall Reserve is in place to help manage the impact, this stands at £7.4 million at the end of 2024/25, with that reduced to £5.7 million by 31 March 2026, and the majority drawn down in 2026/27 when reform is expected leaving a balance of £1.0 million by 31 March 2027.
  - Greater reliance for funding going forward is expected to be placed on Collection Fund raising of income from Council Tax and possibly business rates. The Council currently has a reserve to protect against volatility in the tax base and/or appeals. As at 31 March 2025 this is forecast to be £3.9 million. A reduction is planned for 2025/26 due to lower than forecast taxbase positions reported resulting in a projected end 2025/26 balance of £2.1 million. There are no further calls on this reserve mapped at this stage whilst further assessment of bases and funding reforms is carried out.

3.16 The single greatest financial risk to the Council remains the substantial and growing deficit on High Needs spending from the Dedicated Schools Grant (DSG). This has been highlighted as the biggest risk for several years with the accumulated deficit forecast to be £58.4 million by the end of 2024/25. A statutory override was previously extended by a further two years by the previous Government, which means that DSG deficits do not have to be covered from the General Fund i.e. they are not cash backed up to 31 March 2026. The Provisional Settlement announcement by the current Government has delayed any update on the override until proposed reforms of the SEND system are announced. That is expected before the end of February 2025. However, without either confirmation of the extension of the override and/or clarity on the reforms and future funding of SEND there is a need for the Section 151 Officer to consider the scenarios that could apply.

- If the override is not continued and no new funding is made available to address the cumulative deficit then the Council would have insufficient reserves to cover the deficit and would be faced with discussing the need for setting the 2026/27 budget for Exceptional Financial Support (EFS) with the Government to avoid a Section 114 notice being issued. This would likely be the case for around 100 councils in England. The EFS request would mean a capitalisation directive allowing the Council to cover the position from borrowing, but this would add a circa £5 million annual pressure to the revenue fund not currently budgeted for in the Medium-Term Financial Plan, unless Government were to issue a grant to those authorities needing to borrow to cover those costs. None of that would though address the ongoing deficits likely to occur in the following years and further large cumulative deficits without action and / or Government reform, and further EFS requests would follow adding to the cost of borrowing, this is not deemed sustainable.

- As above if the override is not extended but reforms are sufficient to resolve the ongoing in year overspends in such a fashion to avoid future risks then the Council would still be required to seek one off EFS, which to reiterate would result in an annual revenue cost as yet not included in the Council's Medium Term Financial Plan of circa £5 million. Again, this is likely to be the case for many upper tier councils in England.

- The statutory override is extended, and/or the Government write off all deficits. In this instance the Council's current assumptions remain and there would be no need to consider a Section 114 notice or seek EFS.

3.17 At this stage it is assumed that the final scenario is the one which will materialise, and as such this Section 25 assessment is drafted on the presumption that Government will find a solution towards dealing with (and accounting for) the accumulated deficit prior to the end of 2025/26, when the current statutory override is due to end. It has to be noted that is a considerable financial risk, affecting the majority of upper tier authorities. If a resolution to this is not forthcoming (in this financial year) then the financial viability of the Council would need to be reconsidered and reported back to Full Council for further consideration.

3.18 The Council must also be prepared for and have the ability to respond to unknown risks, in particular environmental events. As such the General Fund Reserve operates as a working balance to manage the impact of uneven cash flows and avoid unnecessary temporary borrowing, and to provide a contingency against emerging events or emergencies. The Section 151 Officer advises on the level of such reserves to hold. As such a separate assessment of the scenarios that could be called upon is set out at Appendix 3. This suggests that as a minimum the Council will need to hold £26.7 million of General Fund reserves in 2025/26, but that in later years that needs to increase to £32 million due to increasing risks and cashflow demands. This equates to 4.9% of the annual net general revenue budget. It is very unlikely all issues would be called upon in one year and as such this also provides a working balance for effective cashflow and treasury management.

- risk management conclusions

3.19 The Council needs to continually be aware of its risk environment and those events that could significantly affect its financial standing. There are currently a range of known risks the Council is managing, and part of that strategy is to ensure there are sufficient specific earmarked risk reserves that cover potential liabilities and costs. The Council's current projected balance of earmarked risk reserves of £84.875 million as at 1 April 2025 is deemed to be sufficient at this stage if it is assumed that Government will resolve the issue of responsibility for the DSG High Needs and SEND deficit not falling on the General Fund account. If that proves not to be the case then the Council's reserves are insufficient to meet the current and forecast deficit and Cambridgeshire, like a large number of upper tier councils, would need to consider applying for Exceptional Financial Support (EFS) without which a Section 114 notice would need to be considered. At this stage the need for EFS or issuing of a Section 114 is not anticipated as it is assumed Government's announcement by late February 2025, which may come after Full Council sets the budget, will resolve this position. If that proves an incorrect assumption it would be a significant issue that would need to be reported back to Full Council for consideration on the advice of the Head of Paid Service, Monitoring Officer and Section 151 Officer.

3.20 It is also worth noting that the risk reserves are expected to reduce by nearly 50% over the lifetime of the Medium-Term Financial Plan to £46.841 million and as such the risk assessment needs to continue to be appraised for ongoing and emerging risks, such as the future accountability of the Greater Cambridge Partnership (GCP) after 2030 or changes arising from the English Devolution White Paper and associated reform legislation, paragraph 3.76 notes further assumptions around this.

The Council's Financial position and financial risks

- The Council's financial standing in comparison to its peers

3.21 CIPFA's Financial resilience indicators reflect that overall the Council's financial standing, excluding the position on external debt, is in line with its peers. Whilst the ratio of spend on adult and children's care has increased in recent years, spend typically hard to control and thus affecting financial risk, the Council's spend is a lower percentage than its peers. It remains the factor that the Council's level of external reserves however when compared to the level of reserves and income that the Council is one of the highest and where a key focus remains.

- The 2023/24 Financial Outturn and external audit progress.

3.22 The final 2023/24 outturn was £1.2 million overspend, which was improved on the £5.5 million forecast overspend and the potential draw from reserves reported to this Committee in consideration of last year's Financial Sustainability Assessment report submitted by the Section 151 Officer. The result of that was to maintain General Fund Reserves and a stronger financial standing position going into 2024/25.

3.23 At this point in time the outcome of the 2023/24 external audit is expected to be reported to the Audit and Accounts Committee on 26 February 2025, although an interim findings report will be taken to the same Committee on 30 January 2025. At this stage no audit findings or recommendations are expected that will alter this assessment. A verbal update on the published interim findings though will be given to the Strategy, Resources and Performance Committee.

- 2024/25 Outturn

3.24 As noted elsewhere on the same agenda as this paper the latest forecast for 2024/25 is an overspend of £6.8 million. The CLT is undertaking actions to recover this position to balance at year end, this includes maintaining a Workforce Expenditure Panel that has operated throughout 2024/25 to check, and challenge all workforce related spending, both employed, and agency related. In addition, a Financial Transparency Panel has been established to oversee third party spend and is chaired personally by the Section 151 Officer. At this stage £6.8 million has been assumed will need to be funded from the General Fund reflecting the latest forecast position, see more detailed analysis of the General Fund risk coverage at Appendix 2.

3.25 The impact of this would be to reduce the General Fund to £23.472 million on 31 March 2025. This is below the level recommended at Appendix 2 and as such all action needs to be taken in the remainder of 2024/25 to recover the overspend to no greater than £3 million. As such it is noted that this in year mitigation focus means there is no planned contribution to reserves within the budget proposals for 2025/26. As currently the in-year overspend reduces reserves below the recommended level the Business and Budget Plan proposes a backstop of drawing from other reserves to maintain the General Fund balance at the minimum level proposed in the business plan. Further action will be needed in 2025/26 to replenish these reserves either through additional savings or through an improved outturn leading to lower draw from the General Fund reserve. Further reports will be presented to the Strategy, Performance and Resources Committee during 2025/26 for consideration. Going forward after 2025/26 future years assumes there will be a need to increase the General Fund Reserve.

3.26 Going forward future delivery of in year budgets will be essential given the level of reserves. As such continued improvements in monitoring and managing budgets is important.

- The robustness of budget proposals 2025/26

3.27 Due diligence of all proposals for 2025/26 budget and future years has been undertaken by the Council’s enabling services, including Finance, Policy, Insight and Change and Human Resources. That diligence has included any estimations, net costs/savings/income and timescales to implement. Development of practice has also evolved following Internal Audit recommendations around the Adults, Health and Commissioning Directorate Business Planning Review and Challenge which was limited assurance. Key recommendations included implementing a comprehensive overarching governance system, developing consistent benefit realisation plans, establishing robust risk assessment and management processes, and creating an integrated programme timeline. The audit also suggested clarifying resourcing for central coordination and aligning with the Council’s Project Management framework to strengthen the Council's approach to delivering these critical savings proposals. The Adults and Health Committee will note this report in its scrutiny of budget proposals at the committee in January 2025. It was also noted that of the 2024/25 savings only £18 million of £34 million planned proposals are forecast to be delivered in year, with a significant amount of those being in the Adults, Health and Commissioning Directorate. As such, Finance and Procurement have been working with services to improve the diligence, transparency and challenge of all future proposals.

3.28 Further information on the due diligence carried out is set out in the Medium-Term Financial Strategy which is on the same agenda as this paper. Overall, this has concluded that there is a lower risk of non-delivery. Although further specific commentary on the key risks facing next year and future years is set out in the following paragraphs.

- Demand and inflationary pressures

3.29 The exact inflationary impact on our costs is variable depending on the specific service or budget line. For example, much of our costs are employee related and linked to national negotiations around pay, and we may be bound by contracts that have specific inflationary uplifts each year or are part of a local market that sees different supply and demand issues affecting prices. National changes, such as the effect on supply chains of an increasing minimum wage, can exceed inflation rates. Estimates of inflation in the business plan have been based on indices specific to each service or type of spend, factoring in the national inflation outlook, local trends, and uplifts built into contracts. We calculate nearly a hundred inflation indices that apply to all spend across our budgets to calculate the overall inflationary pressure. We also need to take into account where other changes, such as increases in the minimum wage, will potentially override the effect of inflation. The starting point for many inflation indices has been linked to an average Consumer Price Index (CPI) projection 2% as at September 2024, but specific inflation rates are calculated for each service particularly allowing for a higher level of inflation where costs are staffing based (reflecting on average above inflation pay rises).

3.30 An additional external pressure for 2025/26 has been the increase in employers’ national insurance costs. This has been provided for within the Council’s workforce/pay budgets and for the adult social care supply chain. The impact on other third party spend will however need to be managed as part of ongoing contract and commissioning plans. Note capital financing pressures are discussed later in this report.

3.31 An assessment of the growth needed for 2025 and beyond has been applied to the budget requirements in consideration of setting the budget for 2025/26. This has been based on current and forecast levels of demand. However, whilst this has been tested and assessed recent history would suggest that in a post pandemic and worldwide economic situation there continues to be a risk of increased unforeseen demand and inflation in Children's social care, Special Educational Needs and Disabilities (SEND) and home to school transport. Whilst in Adult Social Services, care for older people and the volatility of activity to forecast demand is proving difficult to predict with great accuracy and as a result, the officers are engaging with further economic assessment to help forecasts going forward.

3.32 An assessment of the 2024/25 overspend projections has fed into the budget build for 2025/26 and for services facing significant ongoing pressures of demand and/or inflation the level of provision provided for has been set in line with forecast demand and inflation. This includes:

- Home to school Transport – £ 3.8 million
- Children in Care - £ 1.6 million
- Learning disabilities - £ 5.8 million
- Mental health - £5.0 million

3.33 Allowing for demand and inflationary pressures has meant the Council has had a gross pressure of £59 million as set out in Table 2:

Table 2: Gross Pressures facing the Council in 2025/26

Directorates	Net inflation £,000	Demand and Demography £,000	Pressures £,000	Total £,000
Adults, Health and Commissioning	10,273	10,050	8,231	**28,554**
Children, Education and Families	5,886	7,041	5,553	**18,480**
Place and Sustainability	3,751	47	676	**4,474**
Finance and Resources	353	0	1,754	**2,107**
Strategy and Partnerships	759	0	861	**1,600**
Corporate Items	514	0	3,279	**3,793**
Total	**21,517**	**17,138**	**20,354**	**59,009**

3.34 The Council has faced a number of pressures in 2024/25 that have been reported as part of the overspend projections. These have included a number of historical legacy matters which it is felt are now addressed or being addressed which will reduce or negate that pressure in future years, such as the income from energy projects and the increased cost of waste disposal and the associated PFI, following legislative changes.

- Savings

3.35 To balance the budget and provide for the pressures faced, after accounting for grant and council tax income, the Council has needed to identify £34 million of further saving proposals. Alongside this there is also the implementation of prior year saving proposals. Finance and Procurement, alongside other enabling services, such as Policy, Insight and Change, HR and Customer and Digital Services, have assessed every savings proposal for deliverability in terms of timings and estimation. Timings for example has assessed any consultation needed and the time frame to implement changes. Estimation has assessed the assumptions behind calculations and any investment needed to implement a proposal thus giving a net saving. The Section 151 Officer has challenged these workings alongside other Executive Directors, seeking to learn lessons from previous years. As a result, the proposals have been signed off as deliverable. Each Head of Service and Service Director will be required to sign off their personal responsibility for delivering the net budget for 2025/26 and there will be regular budget monitoring during the year to ensure the budgets are delivered.

- providing for changes to assumptions

3.36 Whilst due diligence has been carried out to ensure the budget is robust, with the scale and complexity of local government it is inevitable that there will be changes to assumptions during the financial year that follows. As a result, there is not only a need for strong budget monitoring and management but in certain cases there will be the need for one off draws from reserves as a matter of last resort. The following earmarked reserves (Table 3) have provision to ensure support for both operational change programmes but also volatility in care related service areas. However, it should be noted that after 2025/26 any one-off support for delay in delivery of savings or demand volatility will only be capable of being funded via General Fund Reserves.

3.37 This removal of service specific one-off earmarked reserves places both risk and need for strong financial and operational management on all services to both predict and manage future demand and costs. This transition has begun for 2025/26 with the result being that the majority of risk would fall now on the General Fund Reserve, for example Appendix 2 identifies that this reserve assumes a potential need to draw on as last resort for Children in Care (£0.8m), home to school transport (£1m), and SEND (£6m). Noting that if this is drawn down it would need to be replenished and thus place pressure on future years / drive savings in these areas to recover the position. As such the CLT will continue to oversee for the foreseeable future tight controls around pay and non-pay spend that check and challenge expenditure as set out at paragraph 3.5 of this report. The Chief Executive, supported by the Section 151 Officer, will also continue to ensure Executive Directors remain personally accountable for their directorate budgets throughout the year.

Table 3: Call on reserves for demand and inflation

Reserve	Balance 31 October 2024 £m	Opening balance 1 April 2025 £m	Potential draw 2025/26 £m	Balance remaining 1 April 2030 £m
Adults Safeguarding and Learning disabilities	7.011	6.611	-6.611	-
Childrens	3.200	3.200	-3.200	-
Ukraine Grant	4.912	4.412	-3.546	-
High Needs	8.185	6.125	-6.125	-
Total	**23.308**	**20.348**	**-19.482**	**0**

- The Council's business and medium-term financial plans beyond 2025/26 and the ability to manage change to control future costs

3.38 The Office for Budget Responsibility (OBR) in November 2023 ([Economic and fiscal outlook – November 2023 - Office for Budget Responsibility (obr.uk)]) noted that since 2010/11 local authority spending has fallen from 7.4% to 5% of gross domestic product (GDP). Given local authorities' statutory duty to provide a range of services where demand is likely to continue to grow, for example adult and child social care, pressures on the Council's finances and services will continue. The Council's Business and Budget Plan with the Medium-Term Financial Strategy (MTFS) considered elsewhere on the same agenda as this paper sets out a detailed assessment of the future economic projections.

3.39 The MTFS, excluding any consideration of the DSG High Needs Deficit discussed at paragraph 3.16, shows a £73 million gap over the next four-year period 2026-2030 as set out in the following table.

Table 4: Gap Forecast 2026-30

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Core funding	£572m	£588m	£635m	£652m	£671m	£3118m
Less - Projected Net Budget Requirement	£603m	£623m	£660m	£673m	£692m	£3251m
= Funding Gap 2025-29 before savings	**£31m**	**£34m**	**£25m**	**£20m**	**£22m**	**£132m**
Savings identified	-£33m	-£16m	-£15m	-£0m	-£0m	-£64m
Income generation	£2m	-£1m	£1m	£2m	£2m	£5m
Residual budget gap	**£0m**	**£18m**	**£10m**	**£22m**	**£24m**	**£73m**

3.40 The forecasts for 2026/27 and beyond are inevitably less reliable than the forecasts for 2025/26 (which themselves have a smaller degree of uncertainty as noted in the preceding paragraphs). Due to the impending Comprehensive Spending Review and Funding Reforms, as well as other Government reforms such as Devolution and SEND, the Chancellor's 2024 Autumn Budget statement only set out spending plans for 2025/26. As noted, the Office for Budget Responsibility (OBR) suggests that there remains less scope for additional public sector funding beyond in 2026/27. The Government released on 18 December 2024 its first proposals for Funding Reform to be effective from 2026/27 with a multiyear settlement. This has introduced significant uncertainty to the Council's grants and local tax raising provisions.

3.41 The high gearing of council tax to government grant means that higher costs can only be funded by higher council tax, and if that is not possible then more savings and potential draws on reserves to enable that will be needed. All of this increases the risk and uncertainty over the Council's long-term funding. As such £7.415 million has been set aside to cover the future funding risks this is circa 2% Council Tax for one year and will continue to be assessed.

3.42 In addition, the Council has a small legacy earmarked reserve to deal with, or smooth late changes to the 2021/22 settlement which led to changes in Cambridgeshire's allocations. As a result, a reserve was created to be drawn down as part of the Medium Term Financial Strategy. This will be £3.327 million due to increased business rates in 2024/25 but will then be drawn down and spent by 2027/28 as changes in the business rates allocations are worked through.

3.43 There is a known correlation between those councils which have had lower council tax increases, undeliverable savings plans, higher levels of debt, low levels of reserves and subsequent concerns about financial management. Whilst these are not the only factors which could give rise to financial management concerns, they remain an important consideration in the assessment of financial resilience and sustainability. Cambridgeshire's current council tax charge is around the average of all county councils, but levels of capital debt and/ borrowing are well above average compared to levels of reserves (see Chart 2 later on in this report), which remain slightly below average. The levels of debt, excluding with the ICB, are slowly being addressed through the capital programme and avoiding additional borrowing. This needs to be a continued focus for the MTFS.

3.44 As the largest element of the Council's funding, there is also a risk of less collected council tax or business rates, which could adversely affect the Council's financial standing. Going forward therefore the planned financial risk reserves include £3.868 million provision still being needed for this risk, with £1.7 million needing to be drawn down in 2025-26 to meet collection fund deficits. This is sufficient to cover historic averages of what an in-year collection fund deficit would be across both tax types and all districts. In addition to this, there is a moving balance on this reserve where any in-year collection fund surpluses are applied to mitigate against future year deficits to prevent one-off swings to our budget.

3.45 In the medium to longer term, the Council has to have a sustainable plan where spending growth is closely aligned to Council priorities and available funding. This means that the Council needs to plan to deliver savings by changing the way it works. It is expected that the medium-term plan will therefore need some limited use of reserves in the future years to manage the uncertainties noted above and deliver change and the Council's ambitions. In addition, there is a need to plan for changes to national economic assumptions, in particular inflation. The Council needs greater agility in future without relying heavily on reserves. To this end it is vital that the Council continues to evolve business and financial planning alongside cross-cutting programmes to change the way it works and is configured.

3.46 At the Strategy, Resources and Performance Committee in October 2024, the Council approved its Change Strategy, known as ‘Our Future Council’, that sets out the framework for the type of organisation the council will strive to become by 2030. This strategy will enable the Council to focus on addressing the challenges and opportunities facing Cambridgeshire, in which innovation will drive improved effectiveness, efficiency and productivity across council services to deliver financial sustainability, improved resident outcomes and increased public trust. This sets out five pillars of change:

- Assets.
- Commissioning and Commercial.
- Customer Engagement / Experience.
- Digital, Data and Technology.
- Target Operating Model.

3.47 This however will need investment and as such the Council has set aside £22.5 million in Strategic Framework earmarked reserves to pump prime future savings, on an invest to save basis, to drive and deliver savings. The Council’s Change Board, chaired by the Chief Executive, will oversee the delivery of these programmes of change and will recommend the use of reserves to lead and drive “Our Future Council” to elected members. The planned level of reserves is set out at Table 5 and includes the existing Just Transition Fund established by the Joint Administration in 2021. This identifies that the plans will see these reserves nearly all fully utilised by 2027/28.

Table 5: Strategic Framework Reserves

Reserve	Balance at 31 October 2024	2024/25 closing balance	2025/26 closing balance	2026/27 closing balance	2027/28 closing balance
Change and Digital	£3.4m	£2.5m	£2.8m	£1.2m	£0.0m
Just Transition Fund	£9.1m	£6.7m	£1.8m	£0.1m	-£0.0m
Investment reserves	£17.5m	£13.3m	£2.7m	£0.5m	£0.4m
Total	**£30.0m**	**£22.5m**	**£7.3m**	**£1.9m**	**£0.4m**

3.48 The Just Transition Fund is shown in detail at Appendix 3b. Latest forecasts for some agreed funding lines suggest the original allocations will not be fully required, particularly due to other reserves or grant funding having been used for priority areas. As such, a reallocation into more general investment reserves is proposed in the business plan.

- The current and forecast position of reserves, including comparison to other peer authorities.

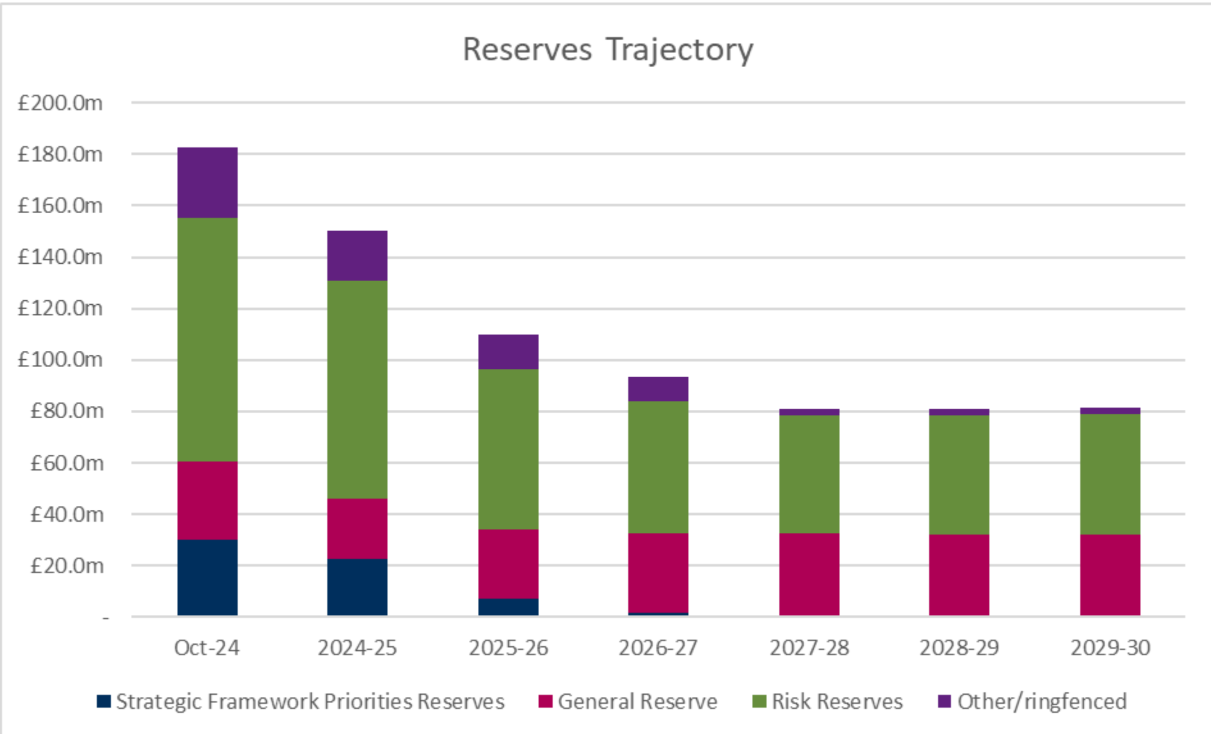
3.49 The forecast opening position as at 1 April 2025 for all reserves, excluding the DSG deficit discussed earlier in this report, is expected to be around £149.638 million across all classifications as follows:

Table 6: Forecast Reserves (Detailed analysis at Appendix 1)

Fund Description	Balance at 1 April 2024 £000s	Balance at Oct 2024 £000s	Forecast Opening 1 April 2025 £000s	Year on year Change £000s	Year on year Change %
General Reserve	£29.4m	£30.3m	£23.5m	-£6.0m	-20%
Strategic Framework Priorities	£37.4m	£30.0m	£22.5m	-£14.9m	-40%
Risk	£80.4m	£94.9m	£84.9m	£4.5m	6%
Ringfenced	£38.0m	£23.6m	£16.8m	-£21.3m	-56%
Sinking Fund	£3.8m	£3.7m	£2.3m	-£1.5m	-40%
Unusable	£0.4m	£0.4m	£0.3m	-£0.1m	-24%
Total Revenue Reserves	**£189.4m**	**£182.8m**	**£150.2m**	**-£39.3m**	**-21%**

3.50 This shows a significant fall in reserves due to the continued use in particular of specific ringfenced grants, which increased during the pandemic, as well as the increased spending since the pandemic ended on schemes suspended during that time. This trend is expected to continue as shown by Chart 1 below:

Chart 1: Forecast level of reserves 2024-30



3.51 The Council also has a number of technical sinking funds, such as to provide for future equalisation likely at the end of schools PFI scheme, this totals £2 million. The sinking fund also held reserve funds for the local County Council elections, but with these happening this year the County Returning Officer recommended to the Strategy, Resources and Performance Committee in December the draw down of these reserves to fund the management of the election process in May 2025. As such this reserve will again start to be built up for 2029 with an annual contribution of £0.190 million a year. As well as a small number of other items the sinking fund reserves will stand at £2.3 million 31 March 2025 and is felt adequate therefore.

3.52 At the start of April 2025 it is forecast that the Council will have £16.8 million of ringfenced reserves, whereby the conditions against which spend can be undertaken is set by contract, legislation or grant conditions. This is broken down as follows:

Table 7: Ringfenced reserves forecast analysis as at 31 March

Ringfenced element	2025	2026	2027
Revenue developer contributions	£2.2m	£2.1m	£2.0m
Public Health Grant – *further details at Appendix 4a*	£2.0m	-£0.0m	-£0.0m
Regional adoption agency	£0.5m	£0.2m	-£0.0m
Other grants & contributions	£10.2m	£7.4m	£4.6m
Ringfenced accounts (e.g. parking, permitting)	£1.9m	£1.4m	£0.9m
Total	**£16.8m**	**£11.2m**	**£7.6m**

3.53 The assumption is that whilst these reserves cannot be used for other purposes, and in the case of the Public Health funds are overseen by the Director of Public Health and reported to the Department for Health and Social Care (DHSC), if the cost of services related to these funds is higher, then that spending will need to be managed within available funds. This is particularly true for developer contributions (in the case of these revenue funds these are minor ‘commuted sums’ contributed by developers). Following an Internal Audit review the Council has also introduced a s106 officer panel that is overseeing the recording and use of such developer contributions.

3.54 The Council also holds a number of reserves not backed by cash resources but held in order that local government can comply with International Financial Reporting Standards. These are referred to as ‘unusable reserves’. There is one unusable reserve though that is reported that is cash backed that accounts for £0.274 million and relates to the Pupil Referral Unit (PRU) school balances and will be fully utilised by 2027/28 and is thus not available for other purposes. School balances likewise are cash backed but are treated as unusable, with further commentary provided later in this report.

3.55 As noted at in Table 1 earlier on in this report CIPFA’s Financial resilience indicator index identifies that Cambridgeshire’s level of reserves continues to be in the middle of the pack, although the risks are associated with the level of borrowing discussed later on in this report*.*

- Cambridgeshire maintained school balances

3.56 Whilst maintained schools’ balances are earmarked there remains a risk that if it converts to an academy under the sponsored route, normally that refers to a conversion of a school eligible for intervention within the meaning of Part 4 of the Education and Inspections Act 2006, the deficit balance remains with the local authority to be funded from its core budget. At the end of 31 March 2024 Cambridgeshire had 31 schools in deficit balance, compared to 14 at 31 March 2023:

Table 8 – 31 March 2024 Maintained Schools in deficit compared to 31 March 2023

22/23 Restated	Deficit	Nursery	Primary	Special	Total	Change from 2022-23
4	£100k+	2	3	1	**6**	**2**
3	£60k - £100k	0	3	0	**3**	**0**
3	£20k - £60k	1	11	0	**12**	**9**
3	£10k - £20k	0	3	0	**3**	**0**
1	£1k - £10k	0	7	0	**7**	**6**
14	Total	**3**	**27**	**1**	**31**	**17**

3.57 As part of the 2024/25 budget setting process 35 maintained schools submitted initial deficit budgets which have required a detailed licensed deficit application and process for Governors and Head Teachers to follow. Alongside those schools reporting a deficit position there are an increasing number of schools where either a significant proportion of surplus balances has been used during 2023/24 or where the 2024/25 is reliant on balances to be applied to meet ongoing running costs. These schools have all received an advisory notice to highlight the risk of reliance on one-off reserves.

3.58 Officers are in the process of assessing the year end forecasts and whilst the position is similar to last year this has grown worse for a number of schools. A Schools in Deficit working group has been established with officer representatives from finance, place planning, admissions, SEND, governor services to provide support and challenge to schools as part of their deficit recovery plans. Internal Audit have also undertaken several reviews and shared good practice during 2024/25, this has been reported to the Audit and Accounts Committee. At this stage whilst the position is causing concern and reported to Schools Forum it is not expected to have an impact on the Council's General Fund balances.

- Delivery of the Capital Programme

3.59 The capital programme is underpinned by a number of grants ringfenced for specific schemes which are due to or have started and under current plans are expected to be spent by 2028/29 as shown in the table below.

Table 9: Capital reserves forecast 2025-2030

£000	**Forecast closing balances 1 April £,000**					
Fund Description	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Adults, Health and Commissioning	£0.03m	-	-	-	-	-
Children, Education & Families and Schools	£15.8m	£6.7m	£5.1m	£4.2m	£4.2m	£4.2m
Finance and Resources	£0.9m	£0.4m	£0.3m	£1.4m	£1.3m	£1.4m
Place and Sustainability	£26.2m	£0.1m	£0.1m	£0.1m	£0.1m	£0.1m
Corporate (S106)	£36.3m	£21.1m	£4.3m	£4.0m	£2.1m	-
Capital Useable Reserves subtotal	£79.3m	£28.3m	£9.9m	£9.7m	£7.7m	£5.7m

3.60 There continues to be a risk of overrun on capital programmes arising from factors such as delays or inflation. At this stage these will need to be managed within the scheme itself and as such no provision within the earmarked or general fund reserve has been made. However, there is always a risk that a capital project does not complete and as such grant needs to be repaid and/or costs can no longer be capitalised. As such the General Fund does make an allowance for such an eventuality with a one-off assumption, for 2025/26 this has been assessed at £4 million falling to £2 million in later years. This is due to the changing nature of funding, current and ongoing spike in construction costs and market failures. This is expected to improve for the remainder of the decade.

3.61 The proposed draft capital programme is £541 million over the 5 years 2025 to 2030. The 5 year element of the plan primarily relates to the rolling annual programmes. Spending on approved projects is set out over the anticipated delivery timescales. A separate schedule of potential projects is not included as part of the approved programme to ensure that schemes in the initial stages of development and/or where funding has not been secured are not formally included in the programme too early in their development. However, minimising additional borrowing does not come without risks and consequences. This means the Council will need to prioritise maintenance and improvement works on the Council's assets, to prevent possible closure on safety grounds. This in turn will lead to an increase in maintenance backlogs and higher potential future costs. The Council also needs to investigate alternative funding mechanisms for maintenance works avoiding the need for borrowing to fund what are essentially recurring costs.

3.62 As part of the programme of managing its own estate the Council has set aside an earmarked reserve £2.940 million for the repair and upkeep of its buildings. This is not planned to be drawn down in 2025/26 due to the planned rationalisation programme. However, a call on this set aside monies in later years may be likely due to the condition and scale of the future changes to the overall estate. The phasing of this will be determined in 2025 and linked to other considerations such as investment in net zero carbon neutral initiatives.

3.63 The Council also is undertaking work on a number of major infrastructure projects, such as on its Guided Busways, and has an earmarked reserve of £23.2 million for 2025/26 set aside to manage the ongoing works related to such matters.

- Treasury Management and security

3.64 Cambridgeshire continues to have a higher level of borrowing exposure than other peers as is shown in the latest CIPFA Financial Resilience analysis chart overleaf:

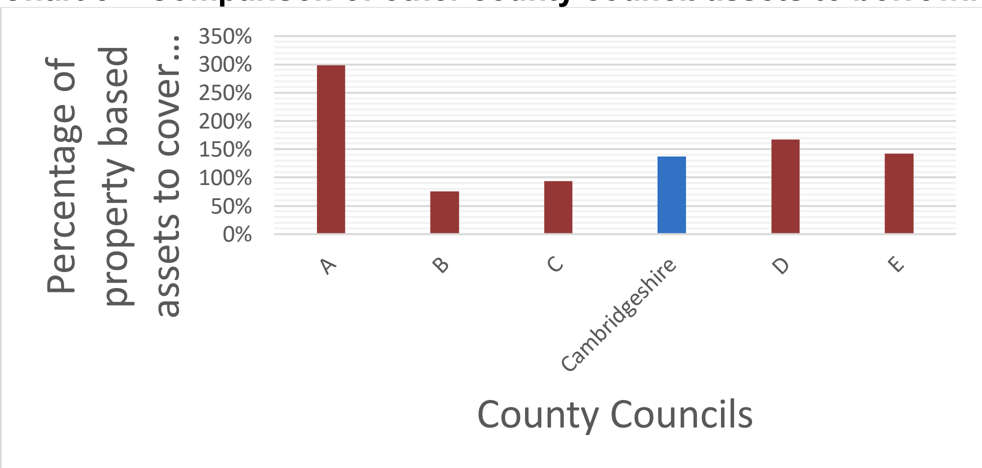
Chart 2: Borrowing to reserves analysis

Debt and Reserves Relative to Income

Authority	Reserves : Income	Debt : Income
Cambridgeshire	27%	128%
Essex	50%	53%
Gloucestershire	27%	68%
Hampshire	35%	22%
Hertfordshire	24%	49%
Kent	25%	70%
Leicestershire	38%	31%
Nottinghamshire	36%	77%
Oxfordshire	36%	43%
Staffordshire	58%	72%
Suffolk	22%	98%
Surrey	20%	76%
Warwickshire	23%	36%
West Sussex	22%	61%
Worcestershire	17%	130%

3.65 An issue flagged by Committee last year was the Council's security of loans against the assets the Council holds on its balance sheet compared to other councils and as well as to reflect the risk of borrowing. A very simple analysis is shown in Chart 3 that suggests most councils on the face of it have property and assets held for sale that would cover liabilities.

Chart 3 – Comparison of other county council assets to borrowing liabilities



3.66 However, this assumes that the asset value is realisable. For example, for Cambridgeshire the largest items held under property are for maintained schools and rural farms. Whilst the later could be taken as an item of security if there were political support, the former is not an asset to realise in the situation of security. Instead, a key focus needs to be on how the Council can improve its ongoing capital and treasury management position.

3.67 The total capital programme for 2025/26 as it currently stands requires £140.2 million of funding which includes £56 million from borrowing. Given the financial pressures on the revenue fund, limits are set to provide a level above which capital financing costs will have an unjustifiable impact on the revenue budget – this limit is inflated each year. The level of borrowing planned for 2025-26 has been assessed as affordable within the current provision for financing.

Table 10 – Capital financing position

	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m	2029-30 £m
2025-26 draft borrowing (net figures excluding Invest to Save / Earn schemes	42.1	41.9	44.5	46.1	43.9	41.8
Recommend limit	42.2	43.0	43.9	44.7	45.6	46.5
HEADROOM (-)	**-0.1**	**-1.1**	**0.6**	**1.4**	**-1.8**	**-4.7**

Recommend limit (3 years)	129.1	136.8
HEADROOM (-) (3 years)	**-0.6**	**-5.1**

3.68 The table above shows that the cost of capital is expected to continue to rise into 2027-28, but likely to decline after that due to reducing interest rates. The capital programme has been prioritised to ensure that the expected cost of capital is within the prudential limit set by the capital strategy for 2025-26 and therefore over the current three-year period we are very close to the recommended limit. In some later years we are expected to be in breach of the limit and further re-prioritising may be required. Headroom seen in the final two years needs to be compared to the wider budget gap and the need to bring costs down. By maintaining a more prudent and lower borrowing forecast for 2025-30 it has a positive knock-on impact to the general fund expenditure as regards the cost of repaying borrowing.

3.69 Whilst the Council is thus focusing efforts to manage its level of borrowing it also needs to manage its delivery of the capital programme. Following reporting last year controls over the capital programme were strengthen and this has resulted in an improved delivery with far less slippage on projects than in previous years. The capital programme expenditure for November 2024 as reported in the Integrated Financial Monitoring Report to Committee, was forecast to be online for a balanced position at year end. It is essential that future capital programmes continue to have this level of rigour and that officers continue to improve the realistic phasing of planned expenditure to also improve treasury management forecasting and management.

3.70 The implementation of a 5-year capital programme, the introduction of a Corporate Landlord approach for the Council's assets and the new capital monitoring and reporting system, has also ensured a more realistic capital programme resulting in significantly less slippage. Further consideration needs to be given to whole life costing and what element needs to be funded from revenue sinking fund and top slicing of capital receipts to create a future reserve. This will be further examined in 2025/26 alongside the ongoing implementation of the Council's new Land and Property Strategy as well as the Asset Improvement Change Programme.

3.71 The proposed draft capital programme is funded from a combination of government grants, external funding and borrowing. In line with previous years, it is proposed that borrowing is supported where it can be from the Council's cash balances rather than external debt. This not only reduces the cost of borrowing (bearing in mind the difference between returns on cash investments and borrowing rates) but also ensures the Council does not increase accumulated debt based on spending profiles which are subsequently delayed. This strategy of internal borrowing is considered sustainable for the next one to two years providing there is no significant revenue need to draw down reserves and the Council has sufficient cash balances. This aligns with the Council's treasury management plans within the MTFS, but further work will need to be undertaken to manage this position, including the phasing of projects noted earlier in this report. This does add further pressure to future year's gap as reported and will need to be addressed as part of the savings programmes for those later years.

3.72 Alongside management of the capital programme risks to improve treasury management, the Council needs a strong awareness and understanding of its investment risk. Overall, the Council's investment performance is in line with market expectations, however, it is worth noting that the Provisional Settlement announced on 18 December 2024 also set out that from 1 April 2025 the statutory override that has been in place since 2018 relating to the full implementation of International Financial Reporting Standard (IFRS) 9 will not be extended. This override has allowed councils to disapply part of IFRS 9, which would otherwise require councils to make provision in their budgets for changes in value (gains or losses) of certain types of financial investments (pooled investment funds). Local authorities' financial accounts will now need to reflect changes in the market value of these assets such as property funds or money market funds. At the end of quarter 2 2024/25 the Council had £27.2 million of its investments pooled, so a relatively low value.

3.73 Any unrealised gains and losses (transactions that have occurred on paper but have not actually taken place) would from 1 April 2025 be treated as actual revenue income and spending affecting the council's budgetary balance, even though the investment is still held by the council and may eventually be sold at a different value. Previously changes in the market value of assets and investments owned by a local authority would have been charged to an accounting reserve (non-cash resourced) until the investment was sold and the gain or loss confirmed. From 2025/26, for example, if the value of an affected investment falls by £1 million then the council's reserves will expected to be £1 million lower and held to reflect the expected future loss, as such this money will not be available to spend on services.

3.74 By recognising the loss in this way if reserves fall too low then the council will need to replenish them, for example by diverting money from other reserves, raising council tax or making further service cuts. If it had been in place the Council would have needed to recognise £3.9 million of loss on its current pooling, however as noted above that is simply a snapshot not an expected maturity position. At this stage the announcement is out for consultation with the rest of the Provisional Settlement and officers are still working through the potential consequences for future strategies based on the three pooled funds it holds. As such at this point in time this assessment of reserves makes no consideration of the pooled money market holdings and the consequences of the override being lifted on the medium-term financial plan or reserves.

3.75 The other significant investment the Council holds is This Land, with £117 million of loans outstanding and due by 2030. Without this loan the Council's position in comparison with its peers per Chart 2 above would be at 75-80%% and thus would still be above the norm for peer grouping. This Land's business plan is due in the Spring of 2025 and will provide an update on the delivery of schemes to protect the Council's loan security. Ongoing work with the Company suggests that the Business Plan remains viable though with continued risk relating to development and the housing market it is advised that a further £2.3 million is added to the This Land specific risk reserves to cover future risks (growth from £10.1 million to £12.4 million), and a further growth in future years rising to £15.1 Million in 2029/30. Continued review under International Financial Reporting Standard (IFRS) 9 will be undertaken to assess this position and reported via the Council's Statement of Accounts.

3.76 Looking forward the Council is the accountable body for the Greater Cambridge Partnership (GCP) set up to co-ordinate and manage the City Deal agreed in 2014. The GCP has set out an Investment Strategy to deliver infrastructure change over the coming years across Cambridge using City Deal funds and future contributions from developers such as s106 agreements. GCP is forward funding developer contributions through borrowing which will then be repaid from future developer receipts, this will take a number of decades to repay. The Council is continuing to work with the GCP around its future funding of schemes and any requirement to reprofile its programme in order to fund the cost of any forward borrowing requirement, as such it is assumed this has nil impact on the County Council's borrowing or associated revenue costs.

- The Council's Financial position and financial risks conclusions

3.77 Paragraphs 3.20 to 3.76 consider a wider range of financial risks, this concludes that:

- Whilst the audit of accounts does not yet suggest any risks to manage, the Council's revenue monitoring reports suggest the need to further manage the 2024/25 forecast outturn to a significantly better position than that currently reported.
- Whilst due diligence of the budget estimates and proposals suggest these are robust, lessons from saving implementation plans need to be recognised and improvements in budget responsibility and management must follow in 2025. At the same time current controls in place around spend are likely to remain in the foreseeable future whilst this development takes hold, and further plans are developed to address the uncertainty and gap of future years.
- Earmarked reserves adequately cover known risks as well as provide for resources to implement the Council's Strategic Framework and "Our Future Council" Change Strategy. The General Fund is deemed adequate after movements proposed in the Medium-Term Financial Plan to cover working capital and unforeseen risks, with one-off provision for changes in assumptions and saving proposals possible as a last resort. The General Fund is also felt adequate to deal with one-off climate and environment risks during 2025/26.
- The current level of reserves is adequate to manage the risk identified, and while they remain in line with peer authorities, there remain a number of key risks which need continued assessment. The most notable is the annual and cumulative Dedicated Schools Grant (DSG) High Needs deficit and the treatment of the statutory override which it is assumed will be resolved by Government. If that is not the case, then Council will need to reconsider the position on its reserves following further advice from the statutory officers.
- Whilst a growing number of Cambridgeshire's maintained school are reporting deficit balances officers are working with schools and governors to review the position, and as such the impact is not deemed, outside of the DSG High Needs issue, to be significant enough to affect the Council's reserves. However, this needs to continue to be monitored.
- The Council is improving its controls over its capital programme which is beneficial to its

treasury management position. There remain a number of risks surrounding investments and the Council needs to consider its reporting under International Financial Reporting Standard 9. As such continued focus and reporting of investment risks will be a focus of 2025/26 monitoring. However, at this stage, with additional investment in reserves to reflect the position relating to company investments the reserves are deemed adequate.

- Upcoming proposals or events surrounding the local government structure and funding nationally and locally

3.78 On 16 December 2024 Government published its White Paper English Devolution. Reforms in this White Paper could have a significant impact on Cambridgeshire County Council, the 5 District Councils and the neighbouring unitary authority, as well as the other tiers of local government. Any future local government reorganisation involving the County Council will need to ensure that the assessment and due diligence of such process places a strong focus on the risks associated with considering financial stability as set out in this report and CIPFA guidance. On 18 December 2024 the Government also announced consultation on a new funding regime for local government from 2026-27, as well as a business rates retention reset. The current indication is that any changes to funding will give a stronger emphasis on deprivation, as well as prevention, taking account of ability to raise funds from Council Tax. However, at this stage it is too soon to assess the impact of either announcement on the Council’s reserves, rather this will be kept under continued review.

4. Alternative Options Considered

4.1 The paper considers the assumptions based on current known factors, as such within each consideration there is a range of factors and ways to interpret the data that have been considered in that assessment. The classification of reserves means that those reserves which are ringfenced can only be used for those purposes, often set out by grant terms or legal conditions. The General, Risk and sinking fund reserves have been assessed as necessary by the Section 151 Officer to ensure the future financial standing of the authority. Strategic Framework and Capital reserves support the current prioritisation by Council.

5. Conclusion and reasons for recommendations

5.1 Taking all relevant factors into account, the Section 151 Officer can formally report that in his view, subject to all the measures set out in the draft business plan and medium-term b budget being implemented, the financial estimates are robust and the level of reserves adequate within the constraints in which the Council currently has to operate, as required by the Local Government Act 2003.

5.2 This assessment if based upon key factors, including:

- The assumption that the proposed council tax increases up to but not exceeding the 3% general threshold and 2% for Adult Social Care levy are agreed for 2024/25. Council tax is now the most significant source of funding for council services. Any lesser increase than that proposed, without a corresponding reduction in base budget spending would have an adverse impact on the Council’s financial resilience and ability to mitigate future spending risks or medium-term uncertainties over the future funding gap.

- Government proposals surrounding the DSG High Needs annual and cumulative deficit will manage the risk of these falling on the Council’s general revenue account.

- The risks relating to known and provision for an element of unknown risk are based upon information available and experiences, whilst this may change at this stage these reserves provide for adequate coverage and cannot be reduced.

- A General Fund reserve at £26.7 million for 2025/26 is considered to be essential in light of increased financial risks, the increased self-sufficiency of councils and greater reliance on tax income, and medium-term uncertainties. Going forward though the Council faces further uncertainties and it is recommended at this point that this reserve is increased in the later years of the MTFS. Failure to maintain General Fund reserve at the levels prescribed would in my opinion very likely seriously impair the adequacy of the Council's reserves and consequently its financial resilience.

- The assessment of the 2024/25 forecast outturn, and the need for that to be reduced to a level that can be covered by reserves set aside for budget risks and stabilising this poses a significant risk to the adequacy of reserves and thus the Council's financial resilience.

- The longer-term capital planning within the proposed 5-year programme delivers urgent and critical works as well as addressing the need to minimise new borrowing and deficiencies in previous plans that have led to significant rephasing. Both of these have significant consequences on future revenue budgets. The level of borrowing continues to be a concern, even though it has been reduced, sustainable alternatives urgently need to be identified. Investments continue to be reviewed for valuation and security.

5.3 The revenue proposals for 2025/26 and medium-term plan are not without significant additional risks. The proposals strike a balance between affordability whilst allowing sufficient resources for the Council to fulfil its statutory responsibilities and address local priorities. This is not an easy combination and will require some difficult decisions in future years about service levels and provision. It will require services to bear down on spending growth, particularly regarding future price levels and managing demand. In the opinion of the Section 151 Officer whilst this presents risks, the Council currently has sufficient financial resilience and reserves, such that the additional risks are neither excessive nor reckless. However, it is essential that there is a sustained focus on financial and demand management, delivery of approved savings and income plans, timely decision making and there are not additional spending requests that would add to costs over and above budgeted levels. It is also essential that where variations from the budget are identified that remedial action is taken promptly to ensure a balanced budget can be delivered.

5.4 Provided all the measures as set out in the draft budget are implemented, the Council will continue to demonstrate financial sustainability for the next two years, although without future spending plans there remains considerable uncertainty over the medium term.

6. Significant Implications

6.1 Finance Implications

This report sets out the Section 151 Officers assessment under his statutory duty per Section 25 of the Local Government Act 2003.

6.2 Legal Implications

This paper fulfils the duty of the Section 151 Officer and should be read alongside the Business and Financial Planning paper also on this Committee agenda.

6.3 Risk Implications

The risk assumptions that support the level of reserves are set out in the body of this report.

6.4 Equality and Diversity Implications

There are no equality and diversity direct implications of this report, although changes to assumptions would need further consideration.

6.5 Climate Change and Environment Implications

This report notes that part of the assessment of the reserves is both to fund future climate and environmental works through the Just Transition Fund, whilst the General Fund also provides for the risk of future emergency incidents arising from climate and environmental events, such as floods or extreme heat.

7. Source Documents

7.1 This paper draws and builds upon the Council's Financial Plan presented to Full Council in February 2025 – to insert

Appendices

Appendix 1 – Detailed analysis of reserves

Appendix 2 – General Fund Assessment

Appendix 3 – Specific reserves

3a - Public Health

3b - Just Transition Fund

Appendix 1 – Detailed analysis of reserves

Fund Description	31 Oct. 2024 £000s	Forecast closing balances 2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Paragraph within report
General Reserve	**30,314**	**23,472**	**26,700**	**30,600**	**32,000**	**32,000**	**32,000**	*3.7, 3.15, 3.25 & Appendix 2*
General Reserves subtotal	**30,314**	**23,472**	**26,700**	**30,600**	**32,000**	**32,000**	**32,000**	
Strategic Framework Priorities Reserves								
Improvement programme reserves								
Just Transition Fund	*9,112*	*6,741*	*1,770*	*114*	*0*	*0*	*0*	*Appendix 3b*
Change & Digital Reserve	*3,441*	*2,459*	*2,815*	*1,239*	*0*	*0*	*0*	*3.47, Table 5*
Ukraine grant reserve	*4,912*	*4,412*	*868*	*0*	*0*	*0*	*0*	*3.37, Table 3*
Other service change reserves	*812*	*782*	*704*	*0*	*0*	*0*	*0*	*3.47, Table 5*
Improvement programme subtotal	18,278	14,394	6,158	1,354	0	0	0	
Investment reserves	2,534	1,996	746	507	367	246	246	*3.47, Table 5*
Invest to save reserves	323	129	39	39	39	39	39	*3.47, Table 5*
MTFS support	8,892	5,936	343	0	0	0	0	*3.47, Table 5*
Strategic Framework Priorities Reserves Total	**30,027**	**22,454**	**7,286**	**1,900**	**406**	**285**	**285**	
Risk Reserves								
Risk contingencies								
This Land Credit Loss & Equity Offset	*8,600*	*8,600*	*10,100*	*10,100*	*10,100*	*10,100*	*10,100*	*3.15*
This Land minimum revenue provision risk	*1,456*	*1,456*	*2,267*	*3,075*	*3,846*	*4,501*	*5,040*	*3.15*
Revaluation & Repair (Buildings)	*2,940*	*2,940*	*2,940*	*2,940*	*2,940*	*2,940*	*2,940*	*3.62*
Local taxation volatility & appeals account	*3,868*	*3,868*	*2,125*	*2,125*	*2,125*	*2,125*	*2,125*	*3.15, 3.44*
High Needs Block Offset	*8,185*	*6,125*	*1,941*	*0*	*0*	*0*	*0*	*3.16, 3.37, Table 3*
Adults Risk Reserve	*7,011*	*6,611*	*0*	*0*	*0*	*0*	*0*	*3.37, Table 3*
Children's risk reserve	*3,247*	*3,200*	*0*	*0*	*0*	*0*	*0*	*3.37, Table 3*
Major infrastructure cost reserve	*25,188*	*23,241*	*20,847*	*20,597*	*19,322*	*19,072*	*19,072*	*3.63*
Risk contingencies subtotal	60,495	56,041	40,220	38,837	38,333	38,738	39,277	
Specific legal/contractual risks reserves	18,409	12,932	8,264	5,054	1,844	1,836	1,836	*3.15*
Funding Review Shortfall Reserve	7,415	7,415	6,206	1,504	1,469	1,469	1,469	*3.15, 3.41*
Risk - Smoothing	3,328	3,327	3,113	1,744	0	0	0	*3.42*
Insurance Reserve	5,209	5,160	4,660	4,260	4,260	4,260	4,260	*3.15*
Risk Reserves Total	**94,856**	**84,875**	**62,463**	**51,399**	**45,906**	**46,302**	**46,841**	
Ringfenced Reserves								

Fund Description	31 Oct. 2024 £000s	Forecast closing balances 2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Paragraph within report
Ringfenced contribution	18,398	12,692	7,666	4,648	189	112	112	
Ringfenced - Unusable	0	0	0	0	0	0	0	
Ringfenced account	2,906	1,917	1,405	902	464	32	32	
Ringfenced - Developer Fund / Commuted Sum	2,248	2,165	2,083	2,000	0	0	0	
Ringfenced Reserves Total	**23,552**	**16,773**	**11,153**	**7,550**	**653**	**144**	**144**	
Sinking Fund	**3,673**	**2,301**	**1,964**	**2,005**	**2,045**	**2,236**	**2,236**	**3.51**
Unusable	**360**	**274**	**137**	**0**	**0**	**0**	**0**	**3.54**
Total Revenue Reserves	**182,782**	**150,150**	**109,704**	**93,454**	**81,009**	**80,966**	**81,505**	

Event	Risk assessment	Assumption 2024/25 £m	Provision 2025/26 £m	Provision 2026/27 £m	Provision 2027/28 £m	Provision 2028/29 £m	Provision 2029/30 £m
1. Climate and weather	There is a risk that with the changes seen in recent years that there is a risk of adverse weather conditions which could result in impacts to our services. This includes higher cases of flu, flooding or heat exhaustion. For some events the Council is covered under the Bellwin Scheme whereby if the Council needs to spend greater than 0.2% of its net expenditure (after accounting for insurance) responding to the incident it can claim back funds. Whilst such events have not occurred in recent years that does not preclude from providing for the unfunded element, or for events such as increased care not covered by the scheme. As such it is felt prudent to provide for at least one event per annum of flooding (£1.1m 2025/26 and rising by 3% p.a. for inflation thereafter) plus an amount for increased pressure on care (£1.8 million – 500 extra care clients for 6 weeks at £600 per week), plus £0.600 million for additional gritting).	3.4	3.5	3.6	3.7	3.8	3.9

Event	Risk assessment	Assumption 2024/25 £m	Provision 2025/26 £m	Provision 2026/27 £m	Provision 2027/28 £m	Provision 2028/29 £m	Provision 2029/30 £m
2. Overspend in year	Every effort will be made to manage budgets in year. However, the current volatility in demand as well as the scale of the task in future years given the funding uncertainty, even with earmarked reserves to provide for some damping, gives rise to an ongoing risk of in year overspends. To manage this risk the general funds will contain a minimum £4 million provision, with £5 million provided in 2025/26 due to the scale of savings. This is to be used as a matter of last resort at year end. This is just lower than the current level of overspend, and lower than most councils are current experiencing elsewhere, as such this sum needs to be kept under review.	4.0	5.0	4.0	4.0	4.0	4.0
3. Exceptional increases in children's care	Whilst demand is factored into the setting of the base budget and the change programme within the Children, Education and Families Directorate contains proposals to focus on preventing costs and demand there is always a risk that there is a sudden influx of costs due to children coming into care who are not known to the Council. That could be from within or out of county travelling to the County context. As such a provision has been made for such circumstances whereby the General Fund would provide financial resilience up to 10 weeks for 20 such children at an assumed cost of £4,000 per week.	0.8	0.8	0.8	1.0	1.0	1.9

Event	Risk assessment	Assumption 2024/25 £m	Provision 2025/26 £m	Provision 2026/27 £m	Provision 2027/28 £m	Provision 2028/29 £m	Provision 2029/30 £m
4. Exceptional increases in home to school transport	Demand for home to school transport is difficult to predict due to parental preference, circumstances and SEND provision. Whilst demand has been provided for in 2024/25 and the base budget increased there will always remain a volatility to this area. The current forecast is a £2m overspend. Further national reform is expected in 2025/26 as such a minimum sum is provided for short term costs of £1 million based on previous experience and CCN studies.	1.0	1.0	1.0	1.0	0.5	0.5
5. SEND provision	The risk of DSG deficit remains even though the Council has agreed a draft plan of recovery with the DfE there is a hazard that the pace of recovery will not meet the plan agreed. From 1 April 2026 the statutory override which sits in place to ensure that the deficit is not recognised on the balance sheet, is lifted. This means that the deficit at that time will need to be covered. At this stage that deficit or the position of the override is unclear. The Council has a £8.1 million earmarked reserve but the position regarding the remainder and the risk of a slower pace to return to surplus means that a provision is being made in the General Fund for 2026/27 of £20 million. Any overspend in 2025/26 will need to be managed and a smaller provision is made in General Fund.	6.0	6.0	15.0	16.0	17.0	17.0

Event	Risk assessment	Assumption 2024/25 £m	Provision 2025/26 £m	Provision 2026/27 £m	Provision 2027/28 £m	Provision 2028/29 £m	Provision 2029/30 £m
6. Pay inflation	The pay settlement for 2024/25 was finalised in October 2024. However, there was a pressure introduced of National Insurance costs for employers that was unbudgeted. The Provisional settlement seems to indicate a £2m grant for CCC however that is still below the actual cost to the Council. There are no other announcements for future years. At this stage the 2025/26 budget assumes 3.5%, if that were to be higher then there would be a need to fund that position in year. Whilst further savings may be possible the ongoing lateness of agreeing the settlement means it is prudent for provision to be made in 2025/26 of £1 million, circa the equivalent of 1% more. This is a risk given the level of the National Living Wage and the structure of previous pay awards has had on the current lower bandings and gaps to tiers that could cause potential knock on impacts to the pay spine.	1.0	0.5	0	0	0	0
7. Insurance	Whilst there is insurance cover there is always a risk that Insurance liability/claims premiums /level of deductibles rise above provision and a top up is needed. Whilst this is unlikely in year 1 it is more likely in later years. There is also a risk that were the Council self-insures the provisions are insufficient.	0	0	0.2	0.5	0.5	0.5

Event	Risk assessment	Assumption 2024/25 £m	Provision 2025/26 £m	Provision 2026/27 £m	Provision 2027/28 £m	Provision 2028/29 £m	Provision 2029/30 £m
8. Cyber attack	There is growing risk of cyber attacks, with a number of local authorities had disruption and ransoms. As such whilst the Council seeks to mitigate loss and will not pay ransoms the cost of recovery could be significant and at present the cost to insure is prohibitive. As such a provision has been made to enable recovery.	1.0	1.0	1.0	1.0	1.0	1.0
9. Partnership / contract risks	Liabilities arising from ongoing partnerships or contracts such as matched funding contributions increase due to increasing costs. Whilst these should be monitored and managed a risk remains. There could also be grant clawbacks arising from failed schemes not managed by CCC. Again, these need to be managed but a small provision is suggested for prudence.	0.5	0.5	0.5	0.6	0.6	0.6
10. HSE and employment tribunals	The Council could be deemed liable for events or incidents through tribunal or legal cases. Whilst some protection may be available through insurance a level of financial cover is suggested in order to enable negotiated settlements.	0.5	0.5	0.5	0.5	0.5	0.5

Event	Risk assessment	Assumption 2024/25 £m	Provision 2025/26 £m	Provision 2026/27 £m	Provision 2027/28 £m	Provision 2028/29 £m	Provision 2029/30 £m
11. Unsuccessful capital schemes	Accounting rules require that where a capital scheme cannot be completed for whatever reason that the costs are funded from revenue. There is a risk that given the scale of the capital programme that such events happen in the current environment of high interest rates, borrowing and land values. As such a provision has been made to allow for such events.	5.0	4.0	2.0	2.0	2.0	2.0
12. Bad debt provision	The Council is seeking to improve its income and debt collection processes in order to reduce its bad debt provision. Debt has increased, particularly in Adult Social Care during and since the pandemic. Some of this is due to the pace of processing Court of Protection (CoP) cases. Whilst some debt is possible of being managed by the Council the CoP is heavily dependent on third parties and as such a provision has been set aside for this in the first two years.	0.5	0.4	0	0	0	0
13. Global events impact on specific costs.	Whilst the Council has provided for inflation in setting the base budget and for supplier cost risks within the earmarked risks, that is based on current market understanding. As the last few years have proven the global economic position can change on singular events, having significant short term cost implications of such things as utilities and borrowing. As such a provision has been made for such potential impact.	1.0	1.0	1.0	1.0	1.0	1.0

Event	Risk assessment	Assumption 2024/25 £m	Provision 2025/26 £m	Provision 2026/27 £m	Provision 2027/28 £m	Provision 2028/29 £m	Provision 2029/30 £m
14. Pandemic	Whilst the occurrence of a pandemic cannot be ruled out, recent experience would suggest that Government would fund additional costs arising from this. As such no provision has been made for such an event.	0	0	0	0	0	0
15. Waste	The position relating to the Waste service provision of disposals under changed Government requirements continue to cause pressures to the service. Whilst specific earmarked reserves are to be applied in 2024/25 to support that position there remains a risk that higher costs and tonnage could yield overspends as well as unforeseen contractual costs. As such a further provision is made in the General Fund and will be reviewed as Government direction and local plans continue.	1.3	2.5	1.0	0.7	0.1	0
16. Equal pay	Experience at other councils has led to this being assessed for risk. At this stage there is no evidence that this risk applies to CCC and as such again no provision has been made.	0	0	0	0	0	0
	Total	**26.0**	**26.7**	**30.6**	**32.0**	**32.0**	**32.0**

Appendix 3a- Public Health

PH Reserves Expected Usage	2025/26 £'000	2026/27 £'000	Reserve Description
Brought forward 1st April Projection	**3,122**	**961**	
Children's Public Health	22	0	Includes Best Start in Life
Public Mental Health	15	0	Includes support for families of children who self-harm and training programme for eating disorders
Adult Social Care & Learning Disability	273	0	Includes falls prevention work and improving health literacy to improve health outcomes
PH Intelligence and Emergency Planning	123	0	Includes Quality of Life survey and PH emergency planning
Prevention and Health Improvement	1,294	259	Includes stop smoking, NHS health checks, weight management, support for primary care prevention and sexual and reproductive health projects
Health in All Policies	35	0	Includes training for Health Impact assessments and project on effects of planning policy on health inequalities
Miscellaneous	400	0	Includes contingency held for continuation of Drug and Alcohol services and contingency for future changes in Public Health grant. Also assumes transfer of PH underspend in 2024/25 to PH reserves at year end
In year spend	**2,161**	**259**	
Carried forward 31st March	**961**	**702**	

Appendix 3b - Just Transition Fund

					Projected spend				
Scheme	Allocation £,000	Spent up to qtr 2 2024 £,000	Balance at Qtr 3 2024 £,000	Proposed re-allocation to change & digital reserve £,000	2024-25 qtrs 3-4 £,000	2025-26 £,000	2026-27 £,000	2027-28 £,000	Projected funding remaining £,000
Care Together programme expansion	2,914	-1,263	1,651		-363	-1,288			0
Independent Living Services-Huntingdonshire	250	0	250	-180		-70			0
Expansion of Direct Payments and Individual Service Funds	222	-217	5	-5					0
SEND capacity	325	-325	0						0
Enabling Net Zero	2,175	-1,161	1,014	-1	-563	-291	-160		0
Floods Mitigation	1,735	-294	1,441	-328	-321	-291	-386	-115	0
Managing Climate Risk	750	-306	444		-98	-236	-110		0
Floods prevention Investment	75	-75	0						0
Future Parks	40	-40	0						0
Communities	1,004	-779	225	-130	-60	-35			0
Cultivate Cambs Fund	350	-350	0						0
	9,840	**-4,810**	**5,030**	**-644**	**-1,410**	**-2,211**	**-907**	**-503**	**0**
Adult social care transformation	2,320	-397	1,923		-957	-966			0
Climate and net zero phase 2	855	0	855			-400	-455		0
Libraries Plus	1,320	-15	1,305		-10	-750	-545		0
TOTAL	**14,335**	**-5,222**	**9,113**	**-644**	**-2,377**	**-4,327**	**-1,907**	**-503**	**0**